Infusing of Funds in DICGC

*295. SHRI RAMA MUNI REDDY SIRIGIREDDY: Will the Minister of FINANCE be pleased to state:

(a) whether the RBI are considering to infuse funds in the Deposit Insurance and Credit Guarantee Corporation of India, looking at its pathetic condition;

(b) if so, the details of the package that is going to be given to DICGC; and

(c) the amount of deposits paid by DICGC to the depositors of failed co-operative banks during the last three years, year-wise?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) and (b) No, Sir. There is no proposal of Reserve Bank of India (RBI) to infuse funds in Deposit Insurance and Credit Guarantee Corporation (DICGC). DICGC has been regularly paying the claims of depositors of failed banks. As on 30th September, 2004 it had Rs. 7419.61 crore in its Deposit Insurance Fund (DIF) to meet the deposit insurance claims. According to information available from the DICGC, as per international norms, only one or two times of per capita GDP is taken as a rough rule for limiting deposit insurance coverage. In India, this coverage is more than five times per capita GDP, which is one of the highest in the world. As at the end of June 2003, 95.4% of Deposit accounts were covered under the scheme. Therefore, DICGC has been of the view that further increase in the present coverage will enhance the moral hazard element in deposit insurance and reduce the market discipline.

(c) According to the information furnished by DICGC, the amount of claims paid by DICGC to the depositors of liquidated co-operative banks during the last three years is as under:

(Rs. in Crore)

Year	Claims settled
2001-02	414.30
2002-03	86.44
2003-04	181.26